INSURANCE: 2020 & BEYOND
GROWTH & INNOVATION REPORT
This benchmarking report examines how the insurance sector is seeking to grow & innovate between now and 2022.

Undertaken by digital insurance agency Pancentric Digital with the support of financial services consultancy Altus and the Managing General Agents’ Association (MGAA), the survey asked senior leaders within the insurance industry about their plans to drive growth and how innovation plays a part in their business plans.

In this report: discover who has the most ambitious growth targets, what are the big factors holding businesses back, how the industry defines innovation and how key it is to businesses plans - plus companies’ digital focus and digital readiness.

Nearly 90% of survey participants were senior executives across Brokers, MGAs, Insurers and Insurtechs. The UK dominates as a key operational territory for participants with 94% making this region their core growth focus. The vast majority of participants were based in the UK.

Insurtechs are more internationally focussed with 60% identifying the EU as a key operational territory in their business plans, compared to approximately 31% of Brokers, MGAs and Insurers. When it comes to North America and the rest of the world there's less of an appetite, with under a quarter of businesses looking to target these territories. Brokers and MGAs are especially conservative here, with just 13% - 20% considering North America or the rest of the world in their business plans. No specific questions were posed around Brexit and related preparations.
REVENUE GROWTH AMBITIONS

MGAs and Insurtechs are the most bullish in their growth projections; with Insurers being the most conservative.

AT A GLANCE: WHO IS TARGETING OVER 20% GROWTH?

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<tr>
<th>INSURERS</th>
<th>21%</th>
<th>TARGETING OVER 20% GROWTH</th>
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<tbody>
<tr>
<td>BROKERS</td>
<td>29%</td>
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<tr>
<td>MGAS</td>
<td>59%</td>
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<td>INSURTECHS</td>
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67% of Insurtechs are setting revenue growth targets of over 20% between now and 2022. Insurtechs and MGAs have set the bar high for their revenue growth ambitions, with 94% of Insurtechs and 86% of MGAs targeting 11% or greater growth over the next two years. Grassroots brokers are more conservative, just 58% anticipating similar performance.

Insurers are the most conservative (and discreet) about their growth ambitions, with 34% targeting just 6-10% revenue growth, and a quarter 'Preferring Not To Say'. Interestingly, revenue growth isn't the top concern for all Insurers, with 14% targeting 'Other Priorities'.
Organic Growth, New Products and Expanding Distribution are the key factors driving growth. 93% of Insurtechs are heavily focused on expanding their distribution to drive growth, which is approximately 30% greater than others. Insurtechs are noticeably more focused on targeting new territories. Marketing new products & services is a big priority for all groups.

Digital sales and M&A are of greatest interest to Insurers and Brokers. Although 28% of Insurers said the ‘Rest of the World’ formed a key operational territory for future business plans, when asked about factors driving growth just 3% said new territories were key.
Commercial Risks emerge as a core product focus for MGAs, while Insurtechs favour Personal Risk.

Commercial risks have clearly caught the eye of MGAs, with nearly 60% seeing commercial lines as a key product focus. Unsurprisingly, Brokers also focus heavily on this cover area.

Insurers and Insurtechs have a relatively even focus across life & health, commercial and personal risks. Interestingly, MGAs and Insurers were the only audiences to focus outside these three product areas, with 4 - 7% selecting ‘Other’ for their product focus.

Overall, 66% of the survey audience selected Commercial Risks as the focal point for their business products, with 44% targeting Personal Risk, and 25% focusing on Life & Health products.
Technology is a significant blocker for all businesses, with bandwidth also proving to be a big problem.
Overall, 41% of businesses cite technology as their biggest blocker to growth, with Insurers indicating it’s holding them back the most. 20% of Insurers revealed technology is the crucial inhibitor compromising their business growth, with internal appetite and viability/ROI also proving a greater problem for Insurers compared to other audiences. No doubt these factors also serve to slow decision-making in Insurers’ Insurtech partnerships - a point made on a number of conference stages during 2019.

While technology is still a key challenge, Brokers cite business processes, structural change and lead generation as key factors blocking growth. MGAs cite key challenges in securing capacity and compliance, while Insurtechs are struggling with funding and a lack of customer insight. Interestingly, overall customer insight, branding and proposition are not viewed as key blockers to growth scoring among the lowest of all factors.
IMPORTANCE OF INNOVATION

Overall, 70% of companies say that innovation is a key factor within their business plans. That said, definitions of innovation vary - see next section.

AT A GLANCE: HOW KEY IS INNOVATION TO YOUR CURRENT GROWTH PLANS?

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<th>MGAS</th>
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<tbody>
<tr>
<td>60% 'YES'</td>
<td>66% 'YES'</td>
<td>68% 'YES'</td>
<td>100% 'YES'</td>
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Is innovation key to driving growth in the insurance sector; or is it more buzzword than reality? This question was a core focus of the survey.

The overwhelming answer is that innovation is key.

The vast majority of companies (approximately 70%) agreed that innovation, as they define it (and this is a crucial factor - see next section), is central to their business plans.

Insurtechs were unequivocal, with 100% stating innovation was key. The less enamoured groups were Brokers who had the lowest ‘Yes’ percentage (just 60%), and MGAs who had the highest amount of ‘No’ responses, with almost 10% stating innovation was not key to their growth plans.
DEFINING INNOVATION

57% of insurance leaders see the ‘Smart Use of Data’ and ‘Market Disruption’ as leading innovation, but ‘Customer-Led Strategy’ ranks the lowest overall.

AT A GLANCE: MOST POPULAR DEFINITIONS OF INNOVATION

- **BROKERS**: SMART USE OF DATA & AGILE SERVICE DESIGN
- **MGAS**: MARKET DISRUPTION
- **INSURERS**: SMART USE OF DATA
- **INSURTECHS**: SMART USE OF DATA
Clearly ‘innovation’ as a term covers a broad spectrum of areas for insurance leaders. It is a label attached to everything from operational approach, to technology to niche market propositions and new revenue models.

Most participants (57%) do agree that disrupting the market with a truly new business model is the holy grail of innovation. Given most won’t achieve this outcome other definitions are probably closer to reality.

Again, 57% of all business leaders see the smart use of data as key to innovation. Insurtechs are the biggest advocates of data and connectivity, and seemingly best placed to implement, enabled by investment and/or close insurer collaborations. Outside Insurtechs, the ‘innovation’ focus for businesses is on digital sales and modernising operating models.

Overall, 44% feel niche propositions are key to innovation, although Insurtechs place greater significance on new revenue models. Interestingly, customer-led strategy ranks lowest, with a mere 7% of Brokers and MGAs seeing it as vital to driving innovation in their business plans. Is this a concerning statistic if the industry is going to thrive in an increasingly customer-led market?
Overall, digital is seen as important in companies’ business plans, with the Design of the Digital Experience and Digital Quote & Buy Capabilities seen as most important, securing the highest ratio of 10/10 responses.
86% of Insurers & Insurtechs place high levels of importance on the Digital Experience.

Insurtechs bestowed the highest level of importance on the design of the digital experience, with over half (53%) giving it the top rating of 10/10. Together, Insurers and Insurtechs place a greater level of importance on the digital experience than Brokers and MGAs, with over 86% of Insurers and Insurtechs voting 8 or above on the scale of importance; this is approx. 20% higher than Brokers (69%) and MGAs (63%). Based on the average responses across the entire audience, Brokers and MGAs actually place a below-average level of importance on the digital experience.

As we have seen already, there appears to be some complacency around customer insight and customer-led strategy. However, here we do see over 72% of all respondents believing the digital experience is important to their business. This high rating suggests a degree of customer orientation by the industry BUT as seasoned innovators know, digital experience alone cannot deliver ‘holy grail’ new business models.
RATING THE IMPORTANCE OF:

DIGITAL QUOTE & BUY CAPABILITY

Brokers gave digital quote & buy the lowest importance rating, but there is evidence they are starting to embrace the digital opportunity.

Insurtechs are the strongest advocates of digital quote & buy, with almost half (47%) placing the highest level of importance on this capability, rating it 10/10. Overall, approximately 75% of all Insurers and Insurtechs rated digital quote & buy as 8 or higher on levels of importance for their business, which is 20% greater than the audience average.

Brokers ranked digital quote & buy as least important, with almost a quarter (24%) rating it as 3 or lower, compared to just 7% of Insurers and Insurtechs. However, looking at Brokers’ responses across all digital question areas clearly they are recognising the relevance and importance of digital capabilities, with most scoring all areas (except AI and Wearables) above 6 out of 10. They were also the second most enthusiastic group in favour of digital sales (direct to customer) as a factor driving growth, as covered in an earlier section.
73% of Insurtechs place high importance on self-serve, rating 8/10 or higher.

Despite digital self-serve being of general significance to all audiences, it’s once again Insurtechs that stand out as placing the greatest importance on this digital capability. Overall, 73% of Insurtechs voted it 8 or higher on the scale of importance, with 40% placing the highest level of importance of 10/10, demonstrating that digital self-serve plays a key role in their business propositions.

Insurers’ place a lower priority on self-serve with 66% rating it 8 or higher and the other third of insurers rating between 4 - 7.

Brokers and MGAs place less importance on digital self-serve, but it’s still relatively high on their radar, with approximately half of all Brokers (51%) and MGAs (56%) rating it 8 or above on their scale of importance.
67% of Brokers cite a flexible policy admin system of high importance to their business.

The average importance rating across all audiences may be 7/10, but Brokers and Insurtechs emerged as the two groups that attached far greater importance to a flexible Policy Admin System (PAS) to achieve their business plan goals.

67% of Brokers and 60% of Insurtechs rated it as 8 or higher on the scale of importance, with over a quarter of Brokers and a third of Insurtechs rating it of the highest importance (10/10).

For Insurers and MGAs, having a flexible PAS is far less important to their business plans, with just 10% rating it a 10/10 top priority.
87% of Insurtechs see APIs/Microservices as a high priority, compared to 38% of Brokers.

When it comes to embracing APIs/Microservices, Insurtechs are the most enthusiastic advocates, with 87% rating it 8 or above, with 53% giving it highest importance (10/10) within their current business model.

Noticeably, no Insurtechs marked these digital capabilities of low importance, whereas 18% of Brokers gave APIs/Microservices the lowest importance ratings of just 3 or below. Only 38% of Brokers rated 8 or higher, revealing that the wider Broker community has some way to go before fully embracing and adopting APIs or Microservices.

MGAs and Insurers place relatively high importance on APIs / Microservices, with approximately 50% of them rating it 8 or above, which was on par with the average responses across the audience.

MGAS

INSURERS

INSURTECHS

AVERAGE IMPORTANCE RATINGS:

BROKERS

AVERAGE 6.5

MGAS

AVERAGE 7.1

INSURERS

AVERAGE 7.2

INSURTECHS

AVERAGE 9.0

87% of Insurtechs see APIs/Microservices as a high priority, compared to 38% of Brokers.
RATING THE IMPORTANCE OF:

AI & MACHINE LEARNING

Over a third of Insurers and Insurtechs place high importance on AI & machine learning.

These two audience groups are noticeably the most receptive towards AI & machine learning, with 38% of Insurers and 33% of Insurtechs rating it 8 or above on a scale of importance for their business, which is approximately 10% greater than Brokers and MGAs.

At the other end of the spectrum, approximately 25% of Brokers and MGAs rated AI & machine learning as least important to their business, voting 3 or below. Overall, approximately 50% of Brokers and MGAs are sitting in the middle of the spectrum with an indifference towards AI & machine learning suggesting perhaps it is on their radar but has minimal importance within their current business plans.

AVERAGE IMPORTANCE RATINGS:
RATING THE IMPORTANCE OF:
WEARABLES, TELEMATICS & IoTs

54% of MGAs apply the lowest levels of importance here, rating just 3 or below.

Insurers and Insurtechs emerge as the most engaged with Wearables, Telematics and Internet of Things (IoTs), with approximately a third of Insurers and Insurtechs rating them a high importance of 8 or above. However no Insurers rated these digital technologies as a top 10/10 priority for their business.

MGAs stand out as being the least receptive to Wearables, Telematics and IoTs, with 54% rating their importance 3 or below. Brokers aren't too far behind, with 38% also rating them of least importance.

Overall, these digital technologies are of least significance, receiving the lowest average ratings for each audience.
DIGITAL READINESS

Although 70% of the insurance sector believe innovation is key for future growth, most are far from confident about their digital readiness.

AT A GLANCE: WHO IS MOST DIGITALLY READY?

- INSURERS: 21% RATED 8 OR ABOVE
- BROKERS: 27% RATED 8 OR ABOVE
- MGAS: 39% RATED 8 OR ABOVE
- INSURTECHS: 67% RATED 8 OR ABOVE
How digitally ready is the insurance sector?

On average, just 38% of the survey audience felt confident their organisations were ready to leverage digital.

Overall, insurance businesses are cautious about their digital readiness, with the vast majority (56% - 69%) of Brokers, MGAs and Insurers all voting within the middle of the digital readiness scale, (between 4 - 7). Brokers and Insurers are the least digitally ready, with just 27% of Brokers and 21% of Insurers voting 8 or above on the readiness scale. Unsurprisingly, Insurtechs are the most ready, with 67% voting 8 or above.
The players most bullish about growth are the newbies with less legacy and more funding (Insurtechs), and the agile end of capacity provision (MGAs).

The group most conservative about growth are Brokers, faced with the reality of increasing distribution and adapting to market change on limited resources. For most, growth plans are organic via new products and expanding distribution.

The factors holding companies back are varied but technology is a top pain-point for all audiences. For MGAs, other key factors include securing capacity and compliance. For Insurtechs and Insurers, its funding and justifying the business case. For Brokers its business processes, structural change and lead generation.

Overall, most companies say innovation is key to their business plans, but the term means many things to many people - from modernising operations, to smarter tech, to niche propositions.

Interestingly, customer-led strategy ranks lowest in the innovation definitions, and customer insight is seen as the factor least holding businesses back. Is this complacency within the insurance community, or is it the harsh reality of having to shape sales activity around the deals you can do with the supply chain - perhaps focussing on what customers need or want is something of a luxury?

The importance of digital is generally accepted, although Brokers tend to rate digital capabilities of lower importance than others - the exception being a flexible policy admin system. The exotic areas of digital (e.g. AI, wearables etc.) are clearly the preserve of the Insurtechs and Insurers.

Digital readiness is low in the sector - Insurtechs excepted. For Insurers, this reflects the scale of their legacy issues; getting on the front foot isn’t easy. For the rank & file, while higher margin distribution and servicing efficiencies almost certainly appeal, digitisation probably feels out of reach. As the tech commoditises this will no doubt change, and with it their innovation ambitions.

STRUGGLING WITH DIGITAL READINESS?

Discover a flexible new quote & buy solution to help unlock revenues and expand your distribution.

See next page for details on Go-Insur
Quote more.
Sell more.
Make more.

Go digital. Go-Insur.
Fast, flexible quote & buy solution.

For simple products you can be selling online in as little as 4-6 weeks, with minimum effort on your part. The quote journey can be branded to match your company colours and link with your website, or we can brand for your affinity partners. Broker login is also available.

✓ Sell direct to customers
✓ Sell via affinity partners
✓ Enable brokers to quote & bind products
✓ Commercial covers
✓ Personal & Life covers

Go-Insur is a Pancentric Digital solution.
Awesome design to maximise sales.

Go-Insur boasts one of the best quote & buy designs on the market. And it isn't just for show. Great design makes getting a quote quicker and easier for customers and brokers alike - and increases sales.

- Quote & buy
- Data integrations
- MTAs
- Renewals
- Documents
- Dashboard reports
- Bordereau
- Hosted rates or API
- System integrations

Go-Insur is a Pancentric Digital solution.
Different ways to pay to support your margins and business model.

We recommend to start simple. Focus on quick wins. Get an initial product live and start unlocking revenues as soon as possible. Choose between lower upfront set-up costs and an ongoing transaction fee, or higher upfront costs and lower or zero transaction fees.

Come on board in 2020 and join Go-Insur Champions to influence future product features and lifecycle development.

Request demo

Or contact Pancentric Digital:
imagine@pancentric.com  I  020 7099 6370  I  www.go-insur.com
Pancentric Digital is an award-winning digital agency that uses customer-led design and best-in-class tech to help clients realise their ambitions faster with more certainty. Our sweet-spot is digital insurance. We have extensive innovation and transformation experience in the insurance sector - this includes driving client growth via more flexible transactional systems and marketing. Our technology offering includes a quote & buy solution called Go-Insur.

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